

Fitch Revises Hilco Terracota's Rating Outlook to Positive from Stable

Fitch Ratings revised the Rating Outlook on Administradora de Activos Terracota, S.A. de C.V. (Hilco Terracota), as a master servicer of financial credit assets, to Positive from Stable. At the same time, the rating was affirmed at 'AAFC2(mex)' rating.

The Positive Outlook is supported by the sustained growth of its master servicing portfolio, as well as improvements implemented in Hilco Terracota's operational, technological and corporate governance capabilities. It also reflects senior management's extensive sector experience, training initiatives and succession plans, as well as the implicit operational and financial support from Hilco Global México, S. de R.L. de C.V. (Hilco Global México; not rated by Fitch).

KEY RATING DRIVERS

Portfolio Expansion Supported by an Effective Strategy: Hilco Terracota's business strategy encompasses master servicing, primary servicing and backup servicing. As of March 31, 2026, the entity acted as master servicer (MS) in several structures, resulting in 18% growth in the number of mandates compared with year-end 2024. Assets under management increased to MXN101.9 billion from MXN59.6 billion a year earlier. This portfolio growth is linked to the entity's strategic focus on cross-selling and the integrated provision of services under its business model, supporting its continued growth and market relevance.

In this review, Fitch observed certain changes in senior management, aligned with the entity's strategy, which reduced the average tenure of its members. Nevertheless, senior management retains extensive industry experience, averaging approximately 24 years in the sector. Fitch considers that this experience mitigates the lower tenure at the company.

Revenue Growth and Operational Resilience: As of the review date, Hilco Terracota's financial position remains stable, driven by a 7% increase in total revenue resulting from portfolio growth and new service offerings. Expenses also increased and net income declined due to extraordinary technology investments; however, these investments are expected to generate cost efficiencies over the medium term. Despite this, Fitch's assessment of the financial statements indicates no foreseeable risks to the business's operational continuity. In addition, the entity benefits from implicit financial support from Hilco Global México, further strengthening its financial resilience.

Stable Workforce and Enhanced Employee Development Initiatives: Hilco Terracota's workforce remained stable at 33 employees in the first quarter of 2026, unchanged from December 2024, reflecting the successful consolidation of its organizational structure. Cumulative 12-month employee turnover as of the review date was 30.3%, higher than the 24.2% reported in March 2025. This increase was driven by changes in senior management and operating staff; however, Fitch considers these changes to be aligned with the company's operational strengthening strategy.

Average employee tenure was 4.5 years, stable compared with 4.6 years in the previous review. Hilco Terracota implemented performance and development plans to support employee retention and career opportunities, along with engagement initiatives such as team-building programs. Fitch expects these plans to be fully implemented and to demonstrate results by the next review.

Training hours per employee increased from approximately 99 hours in the previous review to about 121 hours, mainly due to four specific sessions focused on soft skills, compliance and technology enhancements, in line with the new business lines. The company also enhanced its succession plan through an internal panel to identify key positions and interim replacements. However, a more formal succession framework would further strengthen organizational stability.

Improved Practices and Strategic Oversight: Hilco Terracota has strengthened its corporate governance framework through improved reporting, clearly defined management roles and active oversight from Hilco Global México, its holding company. The company regularly assesses its governance policies to ensure compliance with industry standards and evolving regulatory expectations.

Hilco Terracota also benefits from the appointment of an independent entity as external auditor of processes and policies since the last review. The most recent audit reports did not identify any significant findings.

Strong Controls and Technology-Driven Efficiency: Hilco Terracota maintains robust master servicing processes, supported by a clear allocation of responsibilities at the mandate level, specialized personnel, and legal and compliance support from Hilco Global México. Ongoing investments in training, workflow automation and data-cleansing routines have improved data quality, reporting consistency and operational efficiency.

The integration of operating platforms facilitates automated report delivery, workflow management and portfolio monitoring, while historical data allows broader trend analysis. These initiatives, together with periodic reviews of servicing protocols, have helped reduce operational risks and support the delivery of reliable client service in the context of a growing and diversified mandate portfolio. Backup servicing activities also continue to represent strategic opportunities for future growth.

Integration and Efficiency Improvements for Technology Platforms: The entity has implemented technology solutions to support operational efficiency and data management, including portfolio monitoring tools and integration across its operating platforms. Staff receive ongoing training on the new systems, while continued technology investment is intended to improve client deliverables and internal controls, supporting operational adaptability.

Over the past year, the company also completed penetration testing and fully remediated all identified issues. In addition, it maintains robust business continuity and disaster recovery plans, which are regularly reviewed and tested to ensure their effectiveness.

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Failure to meet contractual obligations and/or delays in the delivery of reports;
- A significant deviation from the business strategy that compromises operations, weakens the financial condition or affects the retention of senior and middle management and the ongoing training of staff, thereby exposing the company to operational risks, among others.

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The company's continued delivery of results under its business strategy that drive sustained growth in the portfolios it oversees as master servicer;

- Strong internal controls, improvements in corporate governance, a sound financial condition, a continuously updated technology platform, and stable turnover levels among senior management and staff, among other factors.

This document is a translation of the rating action commentary issued in Spanish on September 17th 2026, titled "[Fitch Revisa la Perspectiva de la Calificación de Hilco Terracota a Positiva desde Estable.](#)" In the event of any conflict between the Spanish- and English-language versions, the Spanish-language version shall prevail and shall be the applicable version for any matter relating to the interpretation of either version. This translation was prepared at the issuer's request.

